

The Urban Institute

Social Security Disability Insurance: Challenges and Opportunities

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HOWARD GLECKMAN: (In progress) – Thank you for joining us today at the Urban Institute’s conference on Social Security Disability Insurance: Challenges and Opportunities.

My name is Howard Gleckman. I’m a resident fellow at the Urban Institute. I lead up the blog TaxVox from the Tax Policy Center and I’ll serve as this morning’s moderator.

Before we get started, I have a couple of thank-yous. First, to the Ford Foundation for sponsoring today’s event. And also, thank you to Senate Aging Committee and Chairman Bill Nelson and his staff for making it available to us. And disclaimer – while the committee has provided the venue, the speakers are expressing their own views and in no way representing the committee or its members.

Our panel today includes four of the nation’s top experts in disability. Our lead up speaker will be former Social Security Administrator Kenneth Apfel, who’s sitting next to me. Ken is now professor of practice at the University of Maryland’s School of Public Policy. He will be followed by Melissa Favreault, who is a senior fellow and my colleague at the Urban Institute; then by Gina Livermore, who’s a senior researcher at Mathematica Policy Research; and from Lisa Ekman, director of federal policy, Health and Disability Advocates.

A couple of words about Social Security Disability Insurance, just to tee up the discussion. Of course, almost anything anyone says about this is bound to be controversial so I’m sure somebody is going to question the introduction, but we’ll try.

It’s interesting to me that in the long debate about Social Security reform, SSDI has been a forgotten issue. For years, it’s been barely mentioned. And suddenly, as things tend to happen in Washington, it’s become a hot topic in town. We’ve had just in the last few days a congressional hearing. The Cato Institute has had a conference, people have put out papers and we’re doing this thing this morning. So it’s interesting that this issue is suddenly attracting the attention that it really does deserve.

But for all its anonymity, SSDI is a program that is critically important to people with disabilities. The program benefits more than 9 million workers and more than 2 million of their dependents. For many of them, it is a critical part of the safety net that supports them when illness or injury makes it impossible to work.

At the same time, SSDI is a troubled program. In 2009, disabled workers received \$121 billion in cash transfer payments, which is three times what we paid 20 years before. It takes in less money than it pays out in benefits and it will be insolvent, at least technically, in just three years.

We face a severe administrative problems including long delays in processing applications, and a deeply troubled appeals process. In the words of the Social Security Advisory Board, the benefit process, quote will award benefits to individuals who do not meet

SSDI disability criteria and denied benefits to individuals who do meet the criteria. Perhaps most troubling, many believe its design discourages work – and that’s almost always bad public policy. Our panel today will try to address these and other challenges and perhaps suggest some reforms to the current system.

The format will be the usual format for these kinds of programs. Each of our speakers will talk for about 10 minutes. We’ll have some discussion among ourselves, and, finally, we’ll have to some time to take questions from you all. When that time comes, I’ve got a few instructions for you, but we’ll wait for that until the time comes.

So let’s start with Ken Apfel.

KENNETH APFEL: Well, thank you. Thanks, Howard. The size of the audience I think is a pretty good indication of the growing interest in SSDI. And, as Howard pointed out, that part of that interest may be due to the 2060 depletion of the trust fund reserves; part of it’s the growth in the program over time. Part of it it’s also, as Howard pointed out, the fact that this is a vital lifeline for millions of very vulnerable Americans. So there’s a lot of interest out there.

And I’d start off by saying that I think that the – that interest and attention is needed here. But it’s important, I believe, that the attention be grounded in analysis, in facts, and not in anecdote and hyperbole. I think that there has been some stuff out there that can be taken out of context or can be used to present some pictures that I think are deeply troubling.

So one of the things that I’ve been looking forward to today is this is a forum to provide some of the analysis that’s needed to help us better understand this program, the beneficiaries, and so I welcome being on a panel of good analysts. I’m not an analyst. I ran the system for some years.

So, first, what are you going to hear from the other speakers here today?

Perhaps most important, this DI population, these 9 million that you referred to, is a very vulnerable population with significant risks, and you’ll be hearing about those risks in terms of the income, income lost, health status, death rates. This is one of our – Social Security’s vulnerable populations.

Two, this is a population in general that is relatively disconnected from the workforce, and that’s not an enormous surprise given the definitions, the tight definitions, eligibility rules for getting in the disability rolls, and the requirement that one is unable to engage in substantial and gainful employment, so not a lot of work here.

But, that all said, you’ll also be hearing that almost one in five workers has some attachment to the labor force but with very low earnings. And even though almost one in five had have some time in work, very few earn enough to be self-sufficient and very, very few leave the DI rolls.

One of the questions is, given the vulnerability of that population, how many can and should be leaving the rolls? This has been a challenge for Social Security for decades and will be, I believe, for decades to come.

You'll also hear that earnings for disabled persons drop actually several years before they ever touch Social Security or even apply for Social Security benefits. And long before coming in contact with the Social Security Administration, we see very substantial drops in income.

You'll also hear that many of the people who don't get disability benefits and who are rejected from DI also still have very low levels of work and very low levels of income.

I think you'll also hear from the panel a call for more analysis on early interventions to help folks be connected to the labor force, at least some of them. So there's a lot more than this that's going to get covered by these panelists. The key points, to me, are the ones that I've just articulated.

So that's what you're going to hear from them. So what are you going to hear from me?

Four points. One is this is an accomplished panel working hard at getting to the facts, getting to the analysis. That is healthy. There are going to be some differences. There are enormous differences in some of the analysis that need to get worked through and sorted through. Some of the basis for that analysis is going to be the basis, one would hope, for any changes that are contemplated in this system.

So, one, let's keep a focus on the facts, the analysis. If there are differences in interpretations, let's see if we can dig deeper to turn them up, not just today, of course. I'm talking about in general. So that's point number one.

Point number two deals with this issue of the need to understand better this rise in the disability rolls that Howard alluded to, and I wish I had the Social Security actuaries here to focus on beneficiary growth. But since they're not, and since the other panel members aren't going to talk about this, I will very briefly.

So what's all this big increase? And it is. Since 1980, about 188 percent increase in disability beneficiaries so it's sizeable. It's grown substantially over the last 30 years.

But most of that increase, given the actuarial analysis is due to both the increases in the labor force, one: two, baby boomers are entering into high disability-prone years; three, women entering the labor force in substantial numbers and becoming eligible for DI for the first time; four, the change in the minimum retirement age which people stay on the disability rolls now one year longer, soon two years longer; we raise the retirement age to 75, we're going to have – just a joke by the way, I would hope – we will see a lot more people on the disability rolls, because there will be that many more years on the disability side before turning into the retirement age. Small change for right now.

Another one is the major economic downturn, which certainly had an impact on the rolls. There's also higher incidence rates. So what's going on there? The increases in musculoskeletal – very, very hard to adjudicate. Longer lives on disability: If in 1980, the cancer patient lived two years on disability before dying, maybe that cancer patient is now living four or five. It makes a difference. It's a good thing, I think, living longer for some individuals. Also, younger people on the rolls; that means more years in service. That's part of the incidence increase.

Another one is that women are now – the insured group of women are now applying for disability benefits at about the same rates as men have for the past 30 years or so. So it's not just entering the labor force. It's not just becoming DI eligible. Now we have women who are pretty closely aligned to the proportions that we see for men. I think that's actually a pretty good thing too. If this is a social insurance system, we'd want to see women become eligible for it.

So another thing the actuaries would say is that Social Security represented about – disability, about 13 percent of this program, Social Security about 1980, and it's now about 18 percent. This was all projected by the actuaries back long before I was even commissioner, which seems to me about eight zillion years ago. It was actually about 15, 16 years ago. So these projections for this increase had to do with the changes in the labor force that were going to be taking place mostly. There are other issues, but the sensible part has to do with aging and the changes to the workforce.

And actually, Social Security actuaries project that disability, once the retirement of the baby boom generation has taken place and other people are on the retirement rolls, that Social Security will again come back down to about 12 or 13 percent of program cost in another 20 or 30 years. So the bubble we're seeing right now was projected by the actuaries years and years ago. And they are projecting that that bubble in terms of overall program cost would be declining back down to historical levels over time.

So that's – understanding this issue – and there are different opinions about this. We need to get – drill down deeply, not so much today, but in general to get a handle on what's going on precisely so we can start to look at what this growth has been all about. And a lot of it has to do with demographics and labor forces.

Third point, managing the eligibility and the post-eligibility process is tough. It is an enormous challenge. Bob Ball, the legendary commissioner of Social Security when I first became the commissioner of Social Security, said, you know, my toughest job was disability. It's just a nightmare. Not a nightmare, but it is a really tough adjudication job. Lou Enoff (present in the audience) – former commissioner of Social Security, I'm guessing you would say the same thing. Jo Anne Barnhart, Michael Astrue, President Bush's nominees for Social Security commissioner, I'm sure they would say the same thing. And Carolyn Colvin, the acting commissioner now would say the same thing. I would say the same thing.

This is not an easy system to administer. And we're doing it on the cheap. It's going to take more resources, not less, if we're going to do a better job at administering these programs: resources to reduce the DI backlog in cases, resources to strengthen the adjudication process, resources to re-review cases, the continuing disability reviews. We need resources that are

devoted to be able to review who should be taken off the rolls given their changing medical conditions. That takes resources – it takes money. Resources to strengthen work programs and both post-eligibility, and if we want to move into earlier work on work, it's going to take resources to try to figure out how to do that, maybe not even in the Social Security Administration because we don't see these people until they've applied for disability benefits.

I'd also say that during its – I've wandered through these buildings – I spent 13 years on Capitol Hill very connected to these issues for years. I was part of this endeavor thinking through what to do about minimum payments back in the 1980s, which caused a lot of chewing and hard work in the Congress, and some rollbacks after realizing that things had gone too far. I was heavily involved in the changes in the SSI disability program that I thought went too far – tough for the Congress to try to figure out how to deal with these issues and then for the agency to implement.

So it's both hard to figure out how to change policy in this area and it is hard for the administration then to try to figure out how to deal with the changes that are out there. A lot of my time in my first year as commissioner was spent on the childhood disability programs.

I'd also say on the tough to administer, if we look at the current work requirements and the work incentives, they're very complex for beneficiaries and for the agency alike. And I think that you'll be hearing about the need to be – trying to think through how do we change those things. That's point three.

Point four, last point. What do we do about Social Security retirement and disability? Well, I'm not here to opine on a bunch of specific policy options, but I would say this – that there are some who would argue that there should be no benefit cuts to Social Security. I'm not in that camp. I haven't been for years.

And let's look at the analysis. Let's look at solvency. Let's look at benefit adequacy and let's try to figure out how we're going to move forward. So I've always believed that we need to balance package of tax – yes, tax – and spending – yes, spending changes that's needed. With the benefit changes, I think mostly focused primarily at the top, maybe top third of beneficiaries and solid protections for the vulnerable. So some say no to cuts. I'm not in that camp.

There are others who argue that the disability system can and should be a significant part of the Social Security reform package. I've got to tell you I'm not in that camp either.

What you'll be hearing today is that this DI population is made up of a very vulnerable group. We've got to be careful about these very vulnerable groups on the Social Security system, whether they're on the disability side or on the retirement side. So when I look at the eligibility changes or benefit cuts, what it could mean to this population, I think it makes me very, very concerned.

A greater focus on work – I think there's a lot of work to be done about work, particularly for younger populations. But my take is I don't think this is going to be a major solvency change to the system, the work activities. And we may have some disagreements on

that throughout the community, but if we do more work I don't think you're going to see a major savings item come out of those activities.

So we're probably going to end up – I would be certain that we're going to be reallocating the payroll tax in the next two and three years. We ought to be merging the debates together between retirement and disability and we ought to get to these issues quickly. I must say that these programs are interconnected in many ways and need to be thought of and connected.

I'd just say in closing that I think it's a disgrace that we're sitting here in 2013 without having addressed these solvency issues that we need to. We need to figure out how to get this stuff done. It's going to have to be a tax and spending package. And sooner is better than later. And we ought to deal with disability and retirement at the same time so that we understand what we're doing.

So what am I saying? Let's fund – let's act on long-term solvency. Let's protect large parts of this population, particularly the disabled population. Let's fund a stronger adjudication system. Let's fund continuing disability reviews. Let's examine work incentive to see if something more can be done there. Let's research this population carefully in the reforms so that we know what we're doing to these very vulnerable populations. Let's base decisions on analysis rather than hearsay and NPR reports. And I would say lastly, let's be careful out there. This is a very vulnerable population. Let's be careful out there. Thank you.

MR. GLECKMAN: Ken, thank you.

Melissa you're next. Someone passed me a note that says it's a little hard to hear. So if people could speak up, that would be helpful.

MELISSA FAVREAU: Thanks, Howard. Thanks to all of you for coming out. It's really a pleasure to see so many friends and colleagues in the audience today. I'd like to start by acknowledging my co-authors on the brief that's in your packet. Rich Johnson is here and Karen Smith is back crunching numbers at the Urban Institute.

So I'll be discussing a few findings from my brief, which, again is in your packets. And in the hope of making this a conversation, I'm not going to refer very much to my PowerPoint slides, so feel free to set those aside.

A main theme of our brief and the larger paper on which we based is that overall and on an age-specific basis, DI beneficiaries, as Ken's already pointed out, have very different characteristics and outcomes than their counterparts who are not receiving DI. They're older, less educated, have much higher mortality rates, and much lower earnings, incomes and assets. This is no matter how you measure these. And we love to measure things different ways. There are also geographic differences, differences by family status, race, ethnicity and nativity that are important.

These factors all have implications for how we should move forward in addressing Social Security's underfunding, as Ken's pointed out. It doesn't for sure mean that we should ignore financing issues, administrative problems or inefficient targeting or that we should wait before addressing these problems, but it does suggest the need to approach the system changes very, very judiciously, being very careful, as Ken said.

One critical piece of this, of course, is recognizing that DI beneficiaries are diverse. Depending on factors like onset age, type and severity of impairment, how suddenly one's impairment developed, education and work experience and program participation, individuals with disabilities have different needs and access to differing levels of support. And this has important policy implications.

So on to some of the findings for our brief. One thing that we find is that between half and three-quarters of DI beneficiaries, depending on how we define the pre-retirement – pre-disability earnings, excuse me – the program replaces less than a half of their pre-disability earnings. So for most, replacement rates are quite modest.

Second, many beneficiaries, including the vast majority of unmarried beneficiaries, receive more than half their income from DI. So it's a really crucial source of support for these families.

Third, DI beneficiaries are most likely to be in the bottom fifth or quintile of the family income distribution. They're also unlikely to occupy the top quintile. Only about 4 percent of younger beneficiaries and 7 percent of older beneficiaries fell there in 2010.

One necessary implication of this is that poverty and near poverty rates for disabled workers tend to be about double rates for non-DI beneficiaries at young ages and about 1.5 times higher at older ages.

Again, marital status is a critical correlate of what goes on with poverty. Unmarried DI beneficiaries have extremely high poverty rates and this certainly underscores the idea that oftentimes marriage can act as a form of insurance under which spouses protect one another economically when health and employment problems set in.

Now we move to the funding issues. And Ken really set me up well on this. We can't think about Social Security protection and financing without thinking about DI. They're inextricably linked. And I agree we need to think about this as one program.

This year, 19 percent of total benefits are going to disabled workers and their dependents. And at the same time, DI represents about 11 percent of the projected 75 year Social Security shortfall. So even though trust fund reserves for the DI program are going to be depleted sooner than those for the OASI trust fund program, DI's long-range situation is arguably not substantially worse than OASI's. So it's kind of a combined problem of an analogous magnitude.

DI does, however, face a short-run financing constraint, and as Ken mentioned, namely the trust fund reserve depletion in 2016. At that point, the trust fund could pay about 80 percent of scheduled benefits.

Congress could manage this problem by reallocating the payroll tax overall – OASI payroll tax to DI. There's a lot of precedent for payroll tax reallocation. The payroll tax has been the same for the past 25 years, but the allocation between OASI and DI has changed a number of times. And OACT estimates that if we reallocate the payroll tax, the program can pay full benefits through 2033 and that reallocation could shift around 2026. We wouldn't need to do it the whole period.

A simple alternative to reallocation, moving to a framework that proportionately reduced DI benefits to bring the trust fund into balance would have absolutely devastating effects. So, as Ken said, we just can't go there.

We did some estimates on this and the already high poverty rates for DI beneficiaries would be much higher. We estimate that close to 400,000 additional individuals would fall into poverty in 2020 under a payable benefits regime. Correspondingly, near poverty and poverty depth would also increase.

So even if Congress does take quick action to meet the 2016 deadline, it's nonetheless, worthwhile to reflect on the program's importance and how we can keep it healthy. It's important to consider who will be affected, by how much, from any program changes.

While OASDI's current shortfall is significant, it is manageable, but it will almost certainly become less manageable the longer we wait to take action. Addressing financing issues sooner rather than later allows beneficiaries and taxpayers time to prepare, allows provisions time to phase in, and maximizes opportunity for cross-generational sharing.

Moving on to the options, it's pretty clear that sacrifices, as Ken pointed out, are going to be part of the bargain. We need to raise more money, whether through raising rates or broadening the payroll tax base or taxing benefits more than under current law, or we need to spend less money through reductions in benefits. In all likelihood, there's going to be a combination. And, like Ken, I support a balanced approach.

This balance between revenues and benefit reductions is the first key dimension to consider when evaluating packages that would bring Social Security as a whole – so both – OASI and DI collectively into balance. This is a discussion that we need to have in earnest. We need to have it soon and we need to have it in great detail.

One thing – you know, my day job is running simulations of alternative packages of changes to Social Security. And one of the things I've learned over the years is that relatively small differences in the mix between payroll tax increases and benefit reductions can have enormous consequences in income distributions for beneficiaries. So really, that's a fight that's really important to have and a discussion that we really need to go into a lot of detail on.

A second key aspect of this issue is this spread of sacrifice across cohorts. Frequently, when changes are made to a pension in – disability and retirement pension programs, there’s a lot of grandfathering. However, we’re in a situation we had this very large cohort of baby boomers who are rapidly leaving the labor force and entering Social Security. That has implications for the ability to perhaps contribute a bit more and to promote some equity across generations.

Thirdly, within cohort distribution; that is, how we treat beneficiaries at different earnings levels, with different disability status and family status is really critical. So concretely, I’m sure many of you in the audience have been hearing about the parameters that have been talked about in packages. I’m going to talk about some of them.

On the revenue side, you may have heard that the earnings and benefit base, better known as the taxpayer maximum, is one key parameter that’s received a lot of attention and is featured in many of the packages that have been advanced in recent years.

Flat payroll tax have received – payroll tax rate increases have received a little bit less attention, but certainly many still point them as one option for improving financing.

On the benefit side, you probably hear a lot of buzz about switching from the COLA to a chained CPI. Full and sometimes early retirement age increases and various reductions of benefits of higher earnings have also received a lot of attention. Most of these parameters are scalable on both sides, so developers can set levels in a lot of different places and phase them in in different ways in order to address the needs of multiple populations.

One thing that we really want to emphasize today, that I really want to emphasize, is that changes among these lines are going to have substantial impacts for DI beneficiaries in many – and substantially differential effects subsets of DI beneficiaries so, for example, depending on age, timing of disability onset and intersection of these sorts of factors.

We also know that many packages that have been promoted in the recent years have included adequacy adjustments. For example minimum benefits and long-term beneficiary bump-ups. Again, these are likely to differentially affect DI beneficiaries depending on how we parameterize them so it’s really important to look at the details on these things, for example, the work years requirements, how they interact, for example, with COLA adjustments, and so forth.

Some parameters from solvency discussions have specifically addressed DI. I’m going to mention a few that have been highlighted in the legislative proposals and reports from CBO and CRS. There’s been some attention to the notion of integrating DI with EEA rather than the full retirement age, so not allowing application after EEA. There’s been talk about investigating the waiting period in insurance requirements including the recency of work tests.

Each of these proposals have proponents and opponents. I wish we had time to talk about some of the pros and cons, but hopefully maybe we can do that in Q&A if folks are interested. Beyond the parameter change though, I think with respect to DI – and I think Ken is alluding to this, process changes may have special promise for making sure that DI serves American

workers well. The complexity of the process, the lengthy determination process in many parts of the country are highly problematic. And, like Ken, I really appreciate the fact that SSA has been making a lot of efforts to use data to streamline the process and I think that's an important investment by the agency. I also think that a lot of folks have suggested attention to the appeals process and there may be some activity in that area.

So a large body of literature, though, including the CBO and CRS reports, point to the prospect of reducing onflows on to DI, and upfront investments, for example, in accommodation, in workforce development could help with this goal. We've also seen in international private sector experience the employments of early intervention in promoting employment among those with poor capacity. I think Gina is going to speak a little bit more about that in a moment.

So to sum up, when thinking about Social Security changes, I tend to focus less on the precise states, precise annual deficits cash flows and more on long-range assisting ability and also the social and economic context.

In recent decades, prosperity has not been as widely shared as it has been in the past. This applies not just to earnings, income and wealth, where disparities have grown markedly, but also the life chances like education, retraining opportunities and even family stability. Even mortality disparities have widened.

Although it's not Social Security's job to fix all our social problems, it's wise to account for them when considering changes to the system. Otherwise we might unintentionally exacerbate these issues.

For 75 years – over 75 years, Social Security has played an important protective and equalizing role reducing need in retirement and disability. But given prevalent economic disparities for the DI population, I believe we can do a lot better. It's not going to be costless. It's not going to be easy. And we still have a lot to learn about how to do this effectively. And we need, as Ken said – I just want to echo this again – we need to be incredibly careful with any choices on the benefit side given DI beneficiaries' economic vulnerability.

MR. GLECKMAN: Thank you, Melissa.

Gina.

GINA LIVERMORE: Hi. I'm going to focus my comments on the employment of people with disabilities and strategies to improve their economic well-being and reduce SSDI growth, the less effective ways of addressing the trust fund issue perhaps, but important nonetheless.

So some of the challenges Melissa has already alluded to, working-age people with disabilities fare very poorly relative to their peers in terms of the economic well-being. And I have some statistics in my slides that show their very low rates of employment, very high rates of poverty, and the fact that these things, their economic status – well-being has been declining steadily relative to people without disabilities for the past 30 years. This is not a new trend. And

unfortunately, they've made the slides microscopic. So if you'd like me to send the actual data studies to you or these slides, I'd be happy to do that.

So at the same time that we're seeing the poor and declining economic well-being in people with disabilities, we're seeing a greater reliance on public support programs and rapidly increasing federal expenditures being devoted to support this population. Federal expenditures to support working-age people with disabilities now represent about 12 percent of all federal outlays. That's 12 percent of federal outlays being devoted to supporting about 6 percent of the population. Medicare and SSDI alone account for about half of that. So it's a significant issue when we talk about messing with the SSDI and the associated Medicare eligibility that goes along with it.

For several reasons that Ken went in, the SSDI rolls have been growing rapidly since about the mid-1990s. And we're all aware that the current projections have the trust fund exhausted by 2016. So in the face of already poor economic status of people with disabilities and the trust fund's imminent exhaustion, what can we do?

Well, Melissa talked about a bunch of the usual-suspect solutions: reducing benefits, tightening eligibility, changing the portion – or raising the SSDI portion of the payroll tax. Although these are the most expedient ways to address the trust fund imbalance and likely we'll have to resort to some of these, cutting benefits and limiting eligibility make an already extremely vulnerable population even worse off and you see that theme running through this – everyone's talk.

So what I want to talk about is in addition to these usual means of writing more radical strategies that have been proposed by a variety of folks. And these strategies are aimed at more fundamentally changing supports and incentives to address the long-term growth in the SSDI program.

And so some of these include mandating employers to offer private disability benefits to cover the first two years of disability; experience rating that SSDI portion of the payroll tax; block grants to states; developing an early intervention alternative to SSDI; and restructuring the SSDI work incentives and supports to better promote employment of people with disabilities.

And at this point in time there's only limited evidence to support any of these relatively radical types of reforms, but there seems to be a growing consensus that fundamental changes are needed to stem the long-term growth in SSDI and really to modernize an antiquated program that really isn't meeting the needs of people with disabilities in this century, with the types of medical technologies we have, with what's going on in the labor force, and with the recognition that people with disabilities should and have every right to be participating in mainstream society, including employment.

So, first of all, early intervention – what may early intervention look like and why do we need something like this? Well, an early intervention alternative to SSDI might be a single door to tailored supports and integrated eligibility determination process. It would target and provide supports to workers who seem to be heading toward SSDI.

Currently, we really have nothing that does that or even a good way to target or provide supports when people are so attached to their jobs. If you're lucky enough to have private disability insurance or your disability is covered by workers comp, disability management might happen while you're still attached to your job, but these people that fall into those two categories are a very small proportion of the cases that actually head to SSDI. And under both of those programs there are still incentives to push people onto SSDI.

So it's also necessary to integrate and restructure private disability insurance and workers comp and how it relates to SSDI in order to get employers and individuals incentives to remain employed.

So our existing systems of supports is really inadequate to fill an early intervention role as it currently stands. There are two primary systems that might be candidates to implement early intervention.

The first is the workforce system or what's called American Job Centers or one-stop career centers. The other is the State-Federal Vocational Rehabilitation Program. The workforce system generally doesn't come into play until people have lost their jobs or they're trying to get back into work. And the system has traditionally been ill equipped to address the needs of workers with disabilities.

The VR system, they have the expertise in addressing the needs of workers with disabilities. However, the way they are currently structured, they give a higher priority to people already on the SSI and DI program and also those who are not working, so again, you have to already be disengaged from your previous job in order to get benefits. The incentives under which both of these systems operate are also in many ways fundamentally out of synch with the goals of reducing the SSDI – entrance into SSDI.

But despite all this, there does seem to be a rather large window of opportunity to intervene early. Prior studies have looked at people with disabilities in the years before they come on to SSDI. If you look at three years – and I think other speakers have talked about this a little bit – you see they're employed at the same rates as everyone else. So earnings are starting to decline, but they're still attached to their jobs. But at the same time, about 40 percent of them are saying they've got activity limitation. They're already experiencing – or they have something long term that is interfering with their activities. So that's a big pool of people you could target if you could find them and if you had something to give them to try to keep them attached to those jobs.

Another thing to keep in mind, even though it seems like it's a small change to try to affect the imbalance and trust fund is not going to immediately take effect, but for every one of those workers you keep off of SSDI for even one year, you're saving the federal government roughly about \$25,000. So when you're talking about millions of people applying for benefits and getting benefits every year – well, not all of them get them, but they eventually wind up on – every year you can delay that, it adds up to billions of dollars if you can even make a small dent on that 40 percent of people who are already signaling they have problems three years out.

In addition, we know that about 20 percent of all new SSDI awardees were previously denied benefits. These folks have already come to the door. They've already told us, I'm having a problem, but we have no means to help them. We have no way – we deny them benefits. And it's not SSA's job to provide supports until they actually get on the program. And by then, it's too little too late for many of those folks.

So if we had an alternative door they could walk through, that would be somewhere to refer those denied applicants or even get to them before they get to the stage of applying for benefits. So it's a large pool of people who could potentially be delayed entry for quite some time and resulting in a lot of savings in the long run.

It's important to note that not everybody is going to be a good candidate for early intervention. Some people's onset is very severe and sudden and it's – you know, they need to get on benefits immediately. But it does seem like there is a large group who wind up on SSDI, who could be diverted – if even temporarily – if an alternative source of supports existed.

So then, the second piece of this is, all right, well, we didn't get them early on. Can we help them once they're already on the program? Is it really too little too late or can something be done to help those that are on SSDI get back to work and leave the rolls?

Well, to date, SSA's efforts in this area have been met with limited success. The Ticket to Work Act – Ticket to Work Self-Sufficiency Act has a whole bunch of provisions that try to make this happen better. And it's had limited success. I won't go into a lot of that, you know, but it's a tough population to serve and for many, it is too late by the time they get on the rolls and have gone through the long application process and been detached from their jobs for probably years at this point. But there still is a great potential to promote employment among this population.

And there are some other statistics that you probably can't read in the slides that support this. A large share say they want to work and a non-trivial share of OASDI beneficiaries do so. But nearly a quarter are unemployed at some point during their first years on the rolls. So they are working. And at any given point in time, about 15 percent are even working or looking for work or recently worked. So there is a non-trivial share of them that are working.

But the big hurdle, the big thing that we need to get past is that benefit cliff. And I'm sure we're all familiar with the cash cliff in SSDI where after some period of – a relatively short period of time of working about \$1,040 a month, your benefits are completely suspended. And you don't even get notified of that suspension for another two years so after you have that \$18,000 over payment, they get suspended.

But they're risking your benefits, all of them, this all or nothing approach we have to providing SSDI benefits, is a lot to ask. Few who are already less vulnerable spot, they're already coping with significant health conditions, poverty, low income, to jeopardize that – you know, that continuous source of income, all or nothing, you've really got to have higher earnings to make it worth your while.

So, to gradually offset benefits as earnings go up seems like a logical thing to do both in terms of encouraging work, encouraging beneficiaries to try and work, and also realizing program savings. The program doesn't realize any savings until people go all the way off, and they're not likely to go all the way off because it's too risky to do so. So it seems kind of strange to me that SSDI has not been restructured to do this in a manner similar to what's done in the SSI program.

So, to conclude, nothing I've talked about is new. People have been talking about these same things for decades, for as long as I've been looking at these issues. But for some reason, they've only been halfheartedly pursued. And the continued decline in the economic well-being of working-age people with disabilities and the rapid growth in the SSDI program don't give us the luxury to continue to ignore these types of strategies, especially because they have the potential to address both sides of the problem: the poor economic status and the rise in federal expenditures.

And the current scrutiny of the SSDI program and fiscal crisis, even though these strategies are not going to solve it overnight the way readjusting taxes, adjusting benefits and so forth will, this point in time it offers us the opportunity to really fundamentally reform these antiquated programs and provide supports for working-age people with disabilities that in the long run are really going to be better for society. Thank you.

MR. GLECKMAN: Gina, thank you. I can't help to note that in no Washington policy issue area is anything ever new. The idea is – not in figuring out what is wrong but in doing something about it.

The final speaker is Lisa Ekman.

Lisa?

LISA EKMAN: Good morning. I'm going to talk to you about a lot of the things you've already heard about, but talk to you about it from the perspective of people with disabilities who are beneficiaries of Social Security Disability Insurance.

As both Ken and Melissa – or a lot of speakers have said, SSDI really is a vital lifeline for people with disabilities and it lifts many people out of poverty. But as the new Urban brief shows, it doesn't really do a great job of doing that for every beneficiary. There are still significant percentages of people who live in poverty. And the percentages who do aren't even. I want to highlight just a couple of statistics from the Urban brief that flesh that out a little bit more.

So even though the average benefit is around \$1,100, women, who have generally lower earnings and less years in the workforce, especially if they become disabled at an early age, actually only receive about \$900 a month. One out of two women get less than \$900 a month and, also, one in four of them get less than \$700 a month. And often they're the head of that

household. And so that isn't surprising that that much money means that a lot of people are living in poverty despite the fact that they get disability benefits.

And a fifth of all beneficiaries rely on SSDI for 90 percent or more of their income, so if you think about that, there are no other income sources for their family. And one of the things that is also mentioned is that they also tend to have very few resources. Even though SSDI does not have a resource limit for receiving benefits, they're less likely to own homes and have much lower home equity than they do, but if they do actually own home than people who don't receive benefits and they have very little in savings.

One in two beneficiaries age 31 to 49 have less than \$750 in non-housing wealth. So if they need to fix their roof or if they have an unexpected health expense with a large copay, they can't afford to pay it, and they often end up losing their homes or being – losing – not being able to pay rent or having their utilities shut off, and they face a lot of economic insecurity despite the fact that they receive SSDI benefits.

So this will become important, too, a little bit later as I talk to you about potentials for reform and can we really afford a balanced package if some of those benefit cuts will end cutting benefits to SSDI?

The other thing that has been mentioned but I just really want to highlight is that access to SSDI also provides access to health care. And for people with disabilities, even if they could get private disability – private health insurance – and this may change some next January when we have the Affordable Care Act implemented – it is often inadequate to meet their needs, with limits in coverage that don't allow them to get everything they need. So that health care access is vital to people with disabilities as well.

I want to talk a little bit about the benefits – the characteristics of beneficiaries and point out that they're really diverse, and they usually are people who are very ill on top of having the condition.

So just to go through a few of the conditions people get SSDI for. They have advanced heart disease, end-stage renal failure, significant intellectual disabilities, severe mental illness, severe physical disabilities, advanced stage cancer, debilitating arthritis, deafness and blindness, just to list some of them.

So I think we have to think really broadly about what it means to have a disability and not think about just certain conditions. A lot of these conditions are age-related. They tend to worsen over time and they don't tend to improve once they reach the point where a person cannot work. In fact, many beneficiaries are terminally ill. One in five male beneficiaries and almost one in six female beneficiaries die within five years of getting their first benefit check.

So these are not people who are candidates to reenter the workforce. And they tend to be older as well. Seven in 10 SSDI beneficiaries are over the age of 50 and nearly one in three is over the age of 60. So these are people who are near the end of their working years as opposed to entering them, for the most part.

And, finally, they have a relatively low educational attainment. Forty-two percent of SSDI beneficiaries do not finish high school and 35.3 percent only have a high school diploma or equivalent. And, in today's economy, that really limits their ability to work once they get a condition that itself limits their ability to work.

So can a significant percentage of people receiving SSDI become self-supporting? And I want to draw a caution here that when people say – people who are receiving benefits can work, what does that actually mean? It generally does not mean that they can be self-supporting or earn a wage that would allow them to go off the benefit rolls. There are varying levels of work capacity among SSDI beneficiaries, but in general it's very low and it would definitely not be self-supporting.

I think on one of my slides – and I'm not going to go into the details – if you look at the earnings of people who are denied, and, therefore, less disabled and less work-impaired than people who get benefits, they don't do very well either, and they end up in general being very poor and sometimes homeless.

So I think when we talk about increasing work for people who are already receiving benefits, we need to be very careful about what does that actually mean, and looking at the earning potential, and supporting every effort to help them work, but making sure that we're comparing apples and oranges in terms of – or we're not comparing apples and oranges in terms of work capacity versus the ability to be self-supporting.

I want to talk a little bit about reform now. And what I want to say, to begin with, is you may be hearing this program is not sustainable; it's nonfundable; we have to do something drastic. And I think we need to take a step back and realize that sustainability and affordability are a matter of our priorities. We can afford to sustain whatever program we deem important.

And I'm going to have to differ a little bit with Ken and Melissa here because I think the majority of Americans differ with them too. And what they say is we should not cut benefits at all. In fact, we should improve benefits. We should make them better support people and keep them out poverty. And we should do all of this on the revenue side.

And in a recent National Academy of Social Insurance survey, more than 70 percent of Americans, regardless of party affiliation, across economic classes say, don't cut benefits; improve them; improve the cost of living adjustment, improve the minimum benefit people get and do this all on the revenue side by eliminating the cap on earnings that Melissa talked about, as well as increasing the tax rate.

In Washington, what I just said is probably pretty surprising because what you hear is, we can't afford this. We can't sustain it. But they are really out of touch with what Americans want. Americans want – view the system as vital and say they'll pay more to keep it. And these are for the overall system in general, not just disability, but when asked about Social Security, that's what Americans wants.

Does SSDI need reform? SSDI is functioning as it should. SSDI is part of a social security system created to replace wages for workers who can't work. It does that very well. Whether it's because of disability, whether it's because of death of a family member or whether it's because of retirement. It was not designed and nor should it help people work.

We have other systems that Gina mentioned in her presentation that do that so let's take a look at those and figure out how we can make them better to help support people who are working who have health impairments. Let's change the incentives in the workforce system so that they are better equipped to help people with disabilities stay in the workforce. Let's look at giving additional resources to the Vocational Rehabilitation Program so that they can serve people who are still at work. Let's look at decoupling access to health care and vital services and supports from access to income support benefits.

If someone needs a personal care attendant to stay at work and the only way they can get that is through Medicaid and the best way to get that is by going on Social Security benefits, that's what they're going to do. If we would have just given them a pathway to get that vital service without having to go on benefits in the first place, we would keep them at work, which is great for them, better for them, better for society, and it would mean they never get benefits out of the trust fund until at some point in the future if they need them.

So I think – I want to conclude by highlighting that there are some principles for reform that are listed in my PowerPoint that you want to take a look at. And I just do want to say that we – there are improvements that could be made to both the process of the disability program as well as the work incentives that are there, but it's not fundamental reform. It's about doing better what we're already doing.

One of the biggest things we have to look at in order for that to happen is to give the Social Security Administration adequate resources to administer these programs as well as to do continuing disability reviews.

And I would mention one big one to prevent overpayments and that is to process work earning. Earning reports from work – when beneficiaries do go to work, they report them to Social Security and then Social Security is supposed to adjust their benefits in a timely manner, because – if they're no longer eligible for benefits. It takes on average eight months for Social Security to develop those work reports. So for eight months, a beneficiary may be getting benefits that they're not entitled to. And what ends up happening, if they get a huge overpayment notice, is they often have to quit their job and go back on benefits. And so by providing adequate resources to Social Security so that that could happen in a more timely manner and benefits would get adjusted more timely, that would do a lot to eliminate the work disincentive from overpayment.

So, in conclusion, SSDI benefits are extremely important for people with disabilities. The system is not broken but could be made better. And we need to be really careful when we think about making changes to the system to protect it for – as other speakers have mentioned – some of the most vulnerable Americans. Thank you.

MR. GLECKMAN: Lisa, thank you very much. And thanks to all the panelists. That was a really very interesting group of presentations. So, there's some agreement, but there are some issues I think that the panelists disagree pretty strongly on, and what I'd like to do, of course, is focus on where they disagree.

Gina, let me ask you, Lisa just gave us a fairly pessimistic look at the population of those people who are kind of –let's call it poor on SSDI -- and suggested that even if we could get – through early intervention get some of them working, they couldn't make very much money. I wonder if you could give us your sense of whether there's more opportunity in that – or whether Lisa is right?

DR. LIVERMORE: Well, I don't have an empirical answer to that. I think part of it comes down to she sees the glass half-empty and I see it half-full. (Chuckles.) So, you know, both – we're both right. There are definitely people who are not good, as I said, candidates for this.

But I think my view is that our existing system just doesn't provide early intervention, even if you could target those people. And not enough research has been done to know who would be good candidates and who wouldn't because we've never tried it before. So we don't even know the potential for it. And it's hard to say, you know, would the savings offset the cost of providing extra resources to do that? Unknown, but I think there's a lot of money out there that could potentially be saved that you could divert to that and in the end have a net savings from that effort. But like I said, I don't have any empirical evidence to support that because it just hasn't been tested yet.

MR. GLECKMAN: Melissa, what's your sense of it all? Are you an optimist or a pessimist? (Laughter.)

DR. FAVREULT: I think by and large, when you look at –

MR. : Turn your mic on.

DR. FAVREULT: Oops, sorry. By and large, when you look at a lot of the socioeconomic indicators and the demographic indicators like mortality and so forth, you see that, you know, that can lead one towards the glass half-full possibility. But I do think there seems to be some evidence from the international experience and from private disability insurance that an early intervention can make some inroads. How big the number is, is less clear.

MR. GLECKMAN: Lisa.

MS. EKMAN: I just want to clarify. I think that, actually, if you could identify people and we did provide them with the services and supports two or three years before, you may have – you may be able to have a much bigger impact in helping them stay at work.

But I think that that is not the role of the Social Security Administration. We need to look at the other supports and system that we have in place to do that. And one place we might

want to start is with health care providers. They're the first people who see people – and employers because when someone goes to a doctor and they have a condition that could deteriorate or could maybe be helped with vocational rehabilitation or occupational therapy right then, getting that connection soon could be helpful.

But I – so I just want to clarify that before someone goes on benefits, I think we do have a lot better opportunity. I would – just from our experience – by the time someone walks through that door, they've been trying for two or three years to stay at work and that's where you earnings dropping off in one of the charts in my PowerPoint. And so they've spent all their resources. They've really tried to stay at work. We have to catch them before that happens, I think. And then I would say my half – my glass is at least half-full. But once they're past that point, it is very difficult. And eight of out 10 people who were surveyed in a recent Bureau of Labor Statistics survey basically said the one thing that keeps me from working is my disability. If I'm not working, that's why I'm not working. It has nothing to do with a lot of these other factors. So that is really what keeps them from doing it.

MR. GLECKMAN: OK.

DR. LIVERMORE: Could I make a comment?

MR. GLECKMAN: Sure.

DR. LIVERMORE: I agree with you that the doctors and the employers are kind of the first touch-point, especially if you're trying to get people while they're attached to their jobs. But saying that it's not SSA's job, that's right. And that's exactly why this system – and I don't mean the program; I mean the system needs these fundamental changes because there isn't another place they can go.

And even though we say, oh, there's VR out there and there's the workforce system, they are not integrated – neither is private disability insurance or workers comp – to try to have the same goal: keeping the person employed at levels that, you know, and I'll add, will allow them to have a decent standard of living – above poverty at least, OK?

And this early intervention idea, it's just not a simple thing that's out there. It's really more fundamental. How can we align the incentives of all of these programs, of all of these players – people, employers, the social programs – to have the same goal? The goal is to keep people economically productive and not reliant on, well, public support. And that's the idea behind the early intervention and the fundamental reform that's needed.

And I agree with you; SSA does a great job providing benefits to people who can't work. But the idea of "can't work" is no longer relevant in 2013 like it was in 1955. It's a completely different ball of wax now, and I think we need to use the opportunity of the problems with the program to try to fundamentally rethink that.

MR. GLECKMAN: Ken, you want to weigh in on this?

MR. APFEL: Yeah. I think that, for a large part of the population, they're just not going to work and it's – they're not going to have the capabilities to be able to work, so, but for some groups, maybe. But linking together fundamental untested changes makes me nervous. Fundamental untested changes is – and I think doing some – I think some – doing some testing, I think, actually, Social Security's been – the administration's been arguing for greater demonstration authority, but I don't think it's been enacted into law yet to try to do some testing on this area. But I think that if we look at this population, particularly the younger population, can we explore some ways to test more work activities? I would say yes.

But let me just go back and just point one key area: continuing disability reviews. That is a tested area. This is an area where we can say, we can save money by funding disability reviews to reduce the number of people who are on the rolls, and that's – the research is tested. It's still not funded by the Congress. So, I'm a little bit skeptical of even when areas are clearly going to help us with those savings are not being funded, funding a lot on untested areas makes me even more uncomfortable whether we're going to be able to see that.

But that said, I still think there's – there's a pony in there somewhere. I mean – (laughter) – but there is – some don't believe it – that more focusing on work would be helpful. But it is, by and large – I don't think it's – at a time, as has been pointed out, people have come to the doorstep of the Social Security Administration, there's been a significant drop in income; there's been a substantial reduction in work; there's been a significant increase in medical impairments. By the time they come to us, we're not going to be in a tremendously easy place to be able to help.

MR. GLECKMAN: Lisa.

MS. EKMAN: I just have to respond to something Gina said and that was that – about the definition of disability. I agree with her that our country's support system has failed to keep up with our evolving vision of disability and the – and the functioning of people with disabilities and their ability to work outside of the Social Security system.

The Social Security system performs one function, and it does it very well. The rest of the system has failed to provide the services and supports and opportunities people need to help them work. The Department of Labor's role is to help workers. The Social Security's role is – system's role is to provide income support only for workers once they can no longer work. And so, it does that really well. The definition of disability for that function that Social Security has is 100 percent appropriate and should not be changed. However, what we need to do is design our support systems to provide the services and supports people need.

I agree with Gina that the vocational rehabilitation system does not serve people – workers with disabilities well. We ought to change that and provide them with the resources to help people stay at work. We should not make people get income support in order to get health care or the other services and supports they need that can't be provided by private insurance, nor should we – and the Department of Labor workforce programs historically don't serve people with disabilities well. We need to fix that. We need to figure out how to make those systems work.

Social Security does not have the expertise or the infrastructure to help people stay at work. It's not their job. And the definition of disability in the disability program supports the role that Social Security – the system is supposed to play for workers to insure them against events beyond their control that make it no longer a possibility for them to work.

MR. GLECKMAN: OK. Ken I'm going to slightly change subjects.

MR. APFEL: I think it is Social Security's role. And it's a – it's a modest role for sure. And if we look at all the history here about the various work incentives that are in law, the Ticket to Work, which I was involved with, which hadn't worked as well as I sure thought it was going to at the time, I think that it isn't – it is – it is not the core – the cornerstone notion is, does this person meet the disability rolls and can we provide the income they need to be able to live? And this is a very vulnerable population. But this has been a modest role of the Social Security Administration, the earned income maintenance. And I think these are – we need to do some thinking about how to change those systems to create greater incentives for people to be able to continue.

We talked about the cliff. There ought to be – and I'm not – no longer a technical expert on all the different nuances that need to be done. But I'd like to see this continue to be a role for Social Security. It's a modest one, but it's one that needs to be thought about strengthening. But that's going to take money.

I want to go back to money again. Within an underfunded system in terms of administration, if we're not funding disability reviews, which are the easiest way to save money, how are we going to spend a heck of a lot of money to be able to do these activities?

MR. GLECKMAN: Let me try to come at this in a slightly different way. Gina talked about the importance of aligning financial incentives for employers and for other people. A few years ago, David Autor and Mark Duggan came up with a proposal – it was quite controversial at the time – talking about the idea of universal private disability insurance, which seems to me has the potential to be a road to get those incentives aligned. I'd like to ask each of you to give me your sense of whether that idea makes sense, and if not, why not? Who wants to start?

Lisa, you want to start?

MS. EKMAN: I think we, again, want to be really careful when we think about this and what impact it might have. In case you don't know, one out of three workers is currently covered by private disability insurance. They tend to be very highly educated, highly skilled and high-paid. And what they do is they look at the individual and they do a triage process. They say, is this person likely to be able to come back to work and, if they are, they provide them intensive services and help them stay on the job. On the other hand, if they're not, they make them apply for SSDI. That's what they do. And so I think we need to make sure we're comparing comparable workers.

As I mentioned before, most people who end up on DI are not highly skilled. They are not high-wage earners and they have low educational attainment. The reality for people – many people – workers with disabilities is that they also have several part-time jobs. So, which employer would pay for the disability insurance or would it only be for full-time workers? I think there are a lot of questions. And I think if we are thinking about the best way to keep people employed, we ought to also look at the systems that we already are spending money on and how to make them better.

And just one clarification from the previous thing. Ken, I don't think we ought to say Social Security doesn't help people already getting benefits, that they should have a less role in administering work incentives. My point about Social Security's role is not to help workers who wouldn't meet eligibility yet stay out of the system.

MR. GLECKMAN: OK, thanks. Gina?

DR. LIVERMORE: I'm not expert on private disability insurance, but I think the attractiveness of that option is that it's worked in other countries, like the Netherlands, I believe, is one that implemented it where the employers have to cover the first two years. And if you set it up right, you can get it so that the incentives are not like they currently are for them to push folks onto DI because then DI offsets the actual private disability payment of our current system. So, it has a lot of potential.

On the other side of the coin is another mandate for employer. Just like health insurance, it increases costs. And, you know, those – that's never popular to increase employers costs, even though I'm sure they eventually just get passed onto to consumers in the end, anyway.

And the other side of it is that even though I do know there is quite a bit of research about how disability management that occurs in the private disability arena, I've not seen a lot of hard evidence that they do a good job of it. And part of it is because the current – the incentives of the current system which say, yeah, we can get some people back to work and retain them, but if we get them on DI, then 60 percent or 40, you know, whatever – I forget the ratio – of this payment is going to be offset by the SSDI benefit. So there really, you know, it hasn't been tried in the way that it would work – in the way that I think it's been proposed – to address the SSDI issue. But I certainly think it has promise.

MR. GLECKMAN: Melissa?

DR. FAVREAU: Yeah. I guess I would agree on the "promise issue" largely because I think one of the fundamental issues that we – sorry – fundamental issues that we face in our disability system when we look at it holistically is the lack of temporary disability resources. And this would be trying to fill that void and get in to that niche, and so I think that's one reason why it's promising. But definitely certainly the selection and differential issues that Lisa mentioned are also important to bear in mind, but definitely trying to get in that space.

I think one of the fundamental concerns with DI is that, you know, you have long waiting periods, you have erosion of skill, and so I think working fast and through a temporary mechanism has potential.

MR. GLECKMAN: Ken, any thoughts on private disability?

MR. APFEL: One would be I think that this idea of mandating insurance has been kind of controversial in Congress. (Laughter.) And so I'm not exactly sure that we'd see a lot of vital support for this expansion.

But the other one I think is, what is social insurance? Social insurance meets a need. That's what the disability system – that's why the disability system was so critically to be established. A private system is not going to obviate the need for a large social insurance system.

If the – if we think about Medicare, the elderly were not going to be getting health insurance in 1965, 1964, 1961. The poor were not going to be getting it. So, we created our social insurance systems – Social Security back in 1935 and Medicare in 1966 – the unemployment insurance system. I think that there's a – it's a cornerstone to have the foundation be a social insurance system. And I just – I can't see how we're going to be moving dramatically into private disability insurance.

MR. GLECKMAN: I've got about a million other questions, but I want to give the audience an opportunity to ask a few.

I'd like to make to make three requests of you. The first one is please introduce yourself. The second one is, if you do have a question, please make it a question and not a speech. I know this is a very controversial issue and people feel very strongly about it, but we've got limited time, and only these folks get to give speeches this morning. And finally, unfortunately, there are no microphones, so I'm going to have to repeat your questions, which is another reason why I'm begging you to keep them short. So if anybody's got any questions, I'd love to hear from you all.

Yes, sir, in the second row.

Q: Hi. I'm Jeffrey Lin from Senator Angus King's office. My question concerns veterans – specifically veterans with disabilities. And given how long VA waiting times can be nowadays, especially subsidies how it's – this also impacts – makes it worse for them, especially when we're talking about changes to SSDI, for example.

MR. GLECKMAN: OK. I'll just repeat the question. The question is, how will these changes affect veterans?

MR. APFEL: Well, the – to think about the veterans' disability system and the SSDI system, they're a very, very different beasts. They're very, very different eligibility systems. The veterans system is based upon partial disabilities, providing partial payments, which – the

most stringent definition of a disability system you have is the Social Security Disability Insurance system. So, the VA system is a much more liberalized definition in partial disability benefits.

One of the issues that's been around for years is whether the – whether disability insurance systems should be partial payments, you know, to be able to enable people to work and to be able to be compensated. Usually very, very costly, I think is fair to say, and I don't think it has any likelihood of happening for the – for the core disability system.

MR. GLECKMAN: Other thoughts on veterans?

OK. Other questions. Yes, ma'am.

Q: I'm Susan –

MR. GLECKMAN: Could you stand up? Sorry. That's my other request. Since people are kind of hard to hear, stand up.

Q: Susan Prokop, Paralyzed Veterans of America – and I can have a chat with you later about that. (Scattered laughter.)

Some of what the panelists mentioned – the fact that the VR system is required to prioritize SSI and SSDI beneficiaries. We're now going through reauthorization of WIA rehab system. Would that be something to think about – policymakers – to make that priority now for the VR system to serve DI and SSI beneficiaries in order to focus more on some of these other populations?

MR. GLECKMAN: And, Gina, I think you're the one who already talked about that. So, the question, again, is vocational rehab and whether there's some ways to tweak that program to make it work more smoothly with SSDI.

DR. LIVERMORE: Well, the whole reason that mandate – and it usually comes into play when the VR system is in order of selection, meaning they have waiting lists; they don't have enough resources to serve everyone who comes to the door, so they're told you've got to serve the folks with the most significant disabilities first. And this is a very generalization of the regulations that they're under. But I think it's there because it's easier to cream and to serve the easy folks and to ignore those people. So it's there to protect the people who are – have significant disabilities that would be harder to serve.

Now, on the other side of it, from the economic perspective, it's like, well, why aren't we creaming? Why aren't we, you know, getting the people who are easy to help – and not necessarily first, but why aren't they getting resources? Because they're easy to help – (chuckles) – and there'd be some savings associated with that quickly and easily.

So, you know, on the one hand, we don't want to have people not targeting people with needs, and, on the other hand, it's, well, resources are limited and we would like to have more to

serve a broader population. So, I don't want to come down saying that that should be eliminated because it's there for a reason.

MR. GLECKMAN: Lisa?

MS. EKMAN: I don't think it should be eliminated either, Susan. What I think we ought to think about is creating a new program at VR that would help workers – with different funding and not making this a competition about who gets the money. Again, it comes down to our priorities. If we really make it a priority to help workers with disabilities stay at work, we are going to have to pay for that and we ought not do it taking services away from people who are already receiving benefits. We ought to look at expanding the services available as opposed to switching the resources we have.

MR. GLECKMAN: Others questions? Let's go for some geographical division.

In the back.

Q: I'm Sandra Wilkniss and I'm with a senate office– (inaudible). And my question is about people with psychiatric disabilities, which to my understanding is a large segment of the folks we're talking about, and the people that many of us think don't want to work or can't.

My question is, NIH right now is conducting a large national study called RAISE (Recovery After an Initial Schizophrenia Episode) which is looking at young adults who are developing, I think, serious mental illness. And one of the interventions they're using – you don't have to repeat all of this – is an intervention to see if that can help them to get jobs and stay in jobs. And this is already in an evidence – which is what – (inaudible) – an evidence-based practice for people with mental illness and Social Security did do a demo on it.

My question is, if their results are promising in terms of helping these young adults get jobs and stay in jobs, what is Social Security's role in promulgating – in making recommendations and getting invested in this type of intervention?

MR. GLECKMAN: OK, I'll try and repeat that.

The question was about the mental health population. And the questioner says that NIH has a new program that would help young adults with mental illness get jobs and that that that may help with their disease. And the question was, how can that be integrated into what Social Security is doing?

Any thoughts? Lisa.

MS. EKMAN: I think the first thing – again, I'll draw a caution and say we need – when you're supporting work, you need to look at, is that work going to be self-supporting? And I think if you look carefully at the Social Security demo, there was an increase in earnings and an increase in health, but it was not an increase in earnings that would take people off of the rolls. So, I think that's the first thing.

So I agree we ought to make that investment if we think that that – if we support work for people with disabilities, but not because we think it's going to save us money but because it's the right thing to do, and working is good for people. But I don't think that people – they're not getting jobs that they sustain at full-time that would give them a living wage.

Q: And the health costs fall, right? VR uses the funds. It is saving us money – (off mic)

MS. EKMAN: It is saving money, but I caution us because CBO doesn't necessarily look at savings in another program. And when we're talking to policymakers, we have to be really careful, I think, about promising savings that may not materialize. I think all these things are good ideas, but we have to look at them not as an investment, first of all, and also not just because they might save us money but because they help people work and they're the right thing to do.

MR. GLECKMAN: So this actually – I don't want to get budget wonky in – the argument here, but this is kind of an interesting argument, I think, for integrating these programs because it seems we really don't. You know, you have, you know a program that costs money but saves somebody else money. It never happens in the Washington world. Anybody want to comment on that, on whether or not this is – maybe making the case for integrating programs? Just leave it out there. OK.

MR. APFEL: I would say that not only integrating programs, but if one looks at the need for some of these integrity-type activities to be funded as entitlements, where they're taken out of a discretionary pot competing against the Head Start program – or defense – that if we find that there are activities that actually can pay off, that finding a way to create the CDR-like model but make it truly an entitlement, that Congress could decide, look, this isn't working anymore. We're not going to do it. But I think that unless we do that, we will continue to underfund some of the activities that could increase the integrity of these programs.

DR. LIVERMORE: One little comment?

MR. GLECKMAN: Sure.

DR. LIVERMORE: Well, you raise a really good point. And sort of the tangential point is that these silos of the funding and the lack of integration create problems both for trying to support these things as well as from the individual's perspective of accessing the services. And young people especially and people with mental health problems often fall through the cracks in various ways because of these silos.

And what role can SSA play? I don't really have a good answer for that, but it is exciting that there is a demonstration going to start up pretty soon, the PROMISE demonstration, if you're all familiar with that, promoting readiness of minors in SSI. And it's a joint Department of Education and SSI initiative that is really trying to get at the state level at integrating services to get youth on SSI more employment ready during those transition years.

But the kind of neat thing about this – or what makes me excited about this initiative – is, first of all, making the states’ different systems – education, workforce, special ed – everyone work together – Medicaid. But they’re also not just focused on the kid. They’re focused on the whole family, and that’s really unique, I think, in this area. And it makes so much sense. I mean, the person’s on SSI; that means the family is really poor. There’s issues with the parents, the parents working, and so forth. You can’t just deal with the kid in a vacuum and expect them to succeed. You’ve got to deal with the whole family. So it will be very exciting to see how that goes.

Now, how that would play out? It’s grants to the states to do all this. SSA’s involved in the evaluation of it because they have a – you know, they have a stake in this that these people will go off of SSI or not become DI or SSI as adults. But yet how – if this thing is wildly successful – say, in nine years they figure that out – how do you get SSA to play a role in that sort of thing? I don’t have a good answer for that, but it’s a very good point.

MR. GLECKMAN: Other questions. Yes, ma’am.

Q: I’m Kathleen Romig from the Social Security Administration. I’m piggybacking on your earlier question about private – universal private disability insurance. And that kind of made me wonder, you know, many states have temporary disability insurance programs. They have for decades. So, that seems like sort of a cool natural experiment. And I was wondering if there’s evidence that those TDI programs maybe fill some of the holes that you were talking about or fulfill some of the promise of universal private insurance.

MR. GLECKMAN: The question is whether state temporary disability programs teach us anything about the ability of gap filling. We’re thinking about it in the context of private disability insurance.

DR. LIVERMORE: I can tell you that I’m not aware of any current studies, but I know of a study that we want to propose to do that in California to look at the flows from those programs onto DI. It’s in proposal stage and not – (chuckles) – I don’t know if it will actually happen. But it is – people are thinking about that as a good starting point to build evidence for these sorts of things to start looking at those programs. But I’m not aware of any studies that have currently done that.

MR. GLECKMAN: Lisa?

MS. EKMAN: Just one quick point about that to think about as well. We already have two temporary income-support programs for people in this country: workers’ compensation and unemployment insurance. They’re not administered out of Social Security. They’re administered out of the Department of Labor because that’s where our programs that we have for workers, who we hope to help get back into the workforce, are housed.

So if we are thinking about a temporary income-support program for people with disability, trying to keep them attached to the labor force, it makes sense to think about where

that ought to be placed and where we already have expertise working with states in administering those kinds of programs.

MR. GLECKMAN: Melissa?

DR. FAVREAU: I would point out though that when we look at programs like workers' comp and unemployment insurance, there are definitely coverage limitations. So, for example, UI has extensive coverage requirements that leave some folks out. And I think that's a limitation that we need to think about. And also with respect to workers' comp, it's injury on the job and so disability that arises from other means, there's still – so there still is a gap except for these five or six states, so.

MS.EKMAN: And I wasn't suggesting there wasn't a gap. What I was suggesting is that if we create a new program that is attempting to fill in that gap that exists, we ought to think very hard about where that ought to be placed.

MR. GLECKMAN: Gina said something in the back-and-forth and I don't want to let it slide because I would say it's such an interesting, provocative comment. She said – and I'm going to paraphrase here – that the work in 2013 is not the same as work in 1955, and that should change the way we think about our disability. I'd like to get everybody else's comment on that because I think it's a really, really important question.

Does the fact that the nature of work has changed so much – we're not hauling steel anymore as much as we used to – does that change the way we should think about what is disability and what is not, and what is disability at work (?) and what is not?

Lisa, do you want start with that?

MS. EKMAN: I think there's a yes and a no to that, because I think that for a lot of people, it really hasn't changed. If you work at Starbucks or if you are a construction worker and you have limited skills and education, you really – the workforce is about the same. And, in fact, a lot of workplaces, especially for people with mental health issues or intellectual disabilities are less friendly because it's very service-based. You have to really be able to interact well with people and have really good social skills to work in a lot of jobs these days. So, I think, on the one hand, we have a lot of assistive technology. We have the American with Disabilities Act, which does help – does help a lot of people who previously could not work.

But I think that it's – there has been a tradeoff. And we also are in, I think, an economy with – where we're ultra-competitive, and productivity concerns are in every employer's minds. And misperceptions about productivity of people with disabilities still significantly limits opportunities for people with disabilities. And so when you have a thousand people applying for every job and you have hypercompetitive globalization and all these other things, I think we have made a lot of strides forward, but there are a lot of countervailing things occurring in the economy that don't really make it that different.

MR. GLECKMAN: Gina, I'm going to ask you to go last, since you got us started.

Melissa?

DR. FAVREAUULT: I think that certainly given the transformations we've seen from technology in recent decades, certainly there's tremendous untapped potential to expand assistive technology. So, I think that that's definitely something you want to look at.

I guess I would echo Lisa to some degree that we are experiencing massive structural shifts in our labor markets with the bottom falling out for the bottom of the labor market. And, you know, I'm just profoundly concerned about what the next generations of jobs are going to look like. And when we look globally, we're seeing similar sorts of things with transitions to automation.

And so, clearly, the labor market is transforming. I guess I'm just so – I'm profoundly concerned about what's going to happen to the folks who are less skilled. And, you know, building skills up is – you know, it's a generational process. It's not something that can be done quickly.

MR. GLECKMAN: Ken.

MR. APFEL: I'd just add that if we look at the disability population again, if we look at Melissa's brief, this is not – you're not on the disability rolls and you're probably not going to be. This is – these are individuals – lower income, even with strong work attachments – that are not part of the new economy. So, again, sure, assistive technology may help, but when you look at the DI rolls, this is not – this is not a group that is going to be easily launching into the high-tech jobs of the 21st century.

MR. GLECKMAN: OK. Ken, I think you had the last word.

This has been a great panel. I wish we could go on longer, but we can't. Thank you all for coming. And thank you to our panelists – to Lisa Ekman, Gina Livermore, Melissa Favreault, and Ken Apfel. Thank you all very much. (Applause.)

(END)